

**MINUTES
of the
FIFTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT
AND TELECOMMUNICATIONS COMMITTEE**

**October 25-26, 2006
Las Cruces, New Mexico
Deming, New Mexico**

The fifth meeting of the Economic and Rural Development and Telecommunications Committee for the 2006 interim was called to order by Representative Mary Helen Garcia, chair, on Thursday, October 25, 2006, at 10:05 a.m. at the New Mexico State University (NMSU) Golf Course Clubhouse in Las Cruces.

Present

Rep. Mary Helen Garcia, Chair
Sen. Bernadette M. Sanchez, Vice Chair
Rep. Jose A. Campos
Sen. Mary Jane M. Garcia (10/25)
Rep. Dianne Miller Hamilton
Sen. Richard C. Martinez
Rep. Andy Nunez
Sen. William E. Sharer

Advisory Members

Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Rep. John A. Heaton
Rep. Debbie A. Rodella (10/26)
Sen. John C. Ryan (10/26)

Absent

Rep. Hector H. Balderas
Rep. Daniel R. Foley
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Rep. Patricia A. Lundstrom
Rep. Kathy A. McCoy
Sen. John Pinto
Sen. Leonard Tsosie

Sen. Phil A. Griego
Rep. Ted Hobbs
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Rep. Al Park
Sen. Lidio G. Rainaldi
Sen. Shannon Robinson
Rep. Harriet I. Ruiz
Rep. Richard D. Vigil

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Charles H. Van Gorder
Gordon Meeks
Kate Ferlic
Larry Matlock

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file.

Thursday, October 25**Welcome**

Dr. Mike V. Martin, president of NMSU, welcomed the committee to the university's Golf Course Clubhouse, noting that the facility had been built entirely without state funds. The university is a land grant institution and is a supplier of leaders in rural areas. The school produces new and improved technologies and is involved in rural economic development. The chile thinner was invented at NMSU and is manufactured in Los Lunas.

Las Cruces Mayor Bill Mattiace also welcomed the committee to Las Cruces. The city is enjoying a growth spurt and has the lowest unemployment rate in 10 years. The city works collaboratively with NMSU. The city has put a strategic plan in place emphasizing public safety and infrastructure. He believes there is increased communication between different levels of government, which is very important. The city will work hard to maintain its high rankings in areas such as "best city to retire in". Among the projects currently underway in Las Cruces are an \$80 million federal building, a \$25 million city hall and a \$20 million to 25 million state-of-the-art aquatic center.

Role of Colleges and Universities in Economic Development

Dr. Beverlee J. McClure, secretary of higher education, addressed the committee on the role of higher education in economic development. She first indicated how New Mexico measures up in terms of higher education, giving the committee the state's higher education "report card". The state gets an "F" in preparation of its students for higher education; only Louisiana ranks worse. The state spends \$20 million a year on remedial education for high school graduates. The state receives an "A" in participation, as it does a great job at getting students into higher education institutions. There is a problem, however, in that a large percentage of students do not return for their second year. A good percentage of the 25- to 49-year-old population is in higher education. Technically, the state gets an "F" in affordability (as measured by the percent of family income needed to support a student), but the figures reflect numbers before the passage of the College Affordability Act and the overall low-income levels of New Mexico families. The state gets a "D" for completion rates; only 38 percent of entering students complete a four-year degree within six years.

Secretary McClure reviewed the department's 2006 strategic priorities and related goals as follows: 1) increase student access and success; 2) innovate to meet current and future educational needs efficiently and effectively; 3) provide programs and services integral to state and regional economic needs; and 4) position New Mexico higher education to be ranked in the upper echelon by improving national rankings. She reviewed the department's organizational

chart, noting that there is currently a gap in workforce development. The personnel in the department has not increased since before the department was created, although there will be an increase with the forthcoming federal gear-up grant. The department is focusing on developing career clusters, including arts and sciences, business services, communications and services (teachers), energy and environmental technologies, engineering construction and manufacturing, health and biosciences, and hospitality and tourism. She noted that 30 percent of the state's students enrolled in higher education are from rural areas and there is a need for multiple campuses across the state for ready access. Secretary McClure reviewed figures illustrating the impact of education on earning capacity and poverty levels and future areas of job growth. Finally, Secretary McClure indicated that she would be seeking changes in the funding formula for institutions of higher education so that those serving rural areas would not be adversely affected by temporary drops in enrollment.

Questioning by committee members focused on what needs to be done to better prepare the state's high school graduates for success in college, including dual enrollment programs, the gear-up program and the expenditure of increased funding by the legislature.

Technology Research Collaborative

Dr. Garrey Carruthers, dean of the College of Business and vice president for economic development at NMSU, and Kathy Hanson, chief operating officer of the Arrowhead Center, Inc., at NMSU, presented to the committee regarding the Technology Research Collaborative (TRC). The TRC was established by the legislature in 2005 and has received \$3.1 million in funding. Members of the TRC are the Air Force Research Laboratory, Army Research Laboratory, Los Alamos National Laboratory, MIND Institute, National Center for Genome Research, NMSU, New Mexico Institute of Mining and Technology, Sandia National Laboratories, University of New Mexico and White Sands Missile Range. The goal of the TRC is the development and commercialization of intellectual property and technologies that are created in the state's universities, national laboratories and private industry. The idea is to take ideas that have proven potential and move them into economic engines. Proposals are solicited and funded based upon a scoring system that includes value to New Mexico (strategic value, commercial feasibility and economic potential), collaboration with at least two TRC entities, technical feasibility, management and matching funds with at least a one-to-one ratio.

In fiscal year 2006, the TRC awarded almost \$1 million to four projects that brought in \$1.6 in additional outside funding. Dr. Carruthers reviewed the nature of the projects dealing with radio pharmaceutical isotopes, hydrogen generation/power systems, adaptive optics and supercapacitor applications. The TRC is currently soliciting proposals for its second round of funding, concentrating on nanotechnology, optics, medical applications, digital media, sustainable natural resources, alternative energies, homeland security and aerospace. Other states are competing for the same sort of technological development. The TRC will be asking the legislature for \$12 million in additional funding during the upcoming session.

Rural Banks Task Force

Dr. Kelly O'Donnell, deputy secretary for economic development, presented to the committee regarding the findings of the Rural Banks Task Force convened earlier this year by Governor Richardson and chaired by Secretary of Economic Development Rick Homans. The task force was convened after Wells Fargo announced that it was closing banks in several rural communities, including Wagon Mound, Vaughn, Mountainair and Roy. The closure of these banks was inconvenient for residents and damaging to the local economy. Local banks play a critical role in the local economy in that they provide security and convenience to local merchants, evidence a community's stability to potential residents and investors and, by lending capital to local businesses, they bring capital and the potential for economic growth into otherwise isolated communities. The task force devised a proposed linked deposit program (LDP) whereby a certain portion of the state's money invested in certificates of deposit would be invested in qualified rural banks. The limit for such investments would be raised from \$300 million to \$350 million and \$49 million could go into the LDP. These funds would be permitted to earn a rate of return one percentage point below the market rate, thereby earning participating banks an increased return on these deposits. There would be a \$10 million limit of these investments in any one bank. Qualifying banks would have to serve the credit needs of the community, be open five days a week and have a night drop box. Such banks would need to be in a financially at-risk community that would be rural, have no more than one bank, have a population of less than one million and have either a declining population or a median household income less than 80 percent of the state median. Deputy Secretary O'Donnell presented a list of New Mexico's financially at-risk communities under the proposed criteria.

Questions from committee members dealt with issues of the importance of proximity of communities to banks, whether the one percent increase in profits from state certificates of deposit would have kept banks from closing, community income levels and size, and the impact of growth in small communities in qualifying for the LDP.

Economics of Mining in Rural New Mexico

Mike Bowen, executive director of the New Mexico Mining Association, briefed the committee on the economic importance of mining in New Mexico. Large numbers of minerals are used in everyday life, including in agriculture, construction, transportation, communications, homes and offices, national defense, environmental protection and energy. The United States consumes about one-fourth of the world mineral production. Mr. Bowen presented facts on the amount of minerals used by individuals or for home building. Minerals mined in New Mexico include aggregates, coal, copper, gold, gypsum, molybdenum, potash, perlite, salt, silver and uranium. Mining in New Mexico provides approximately 6,000 quality jobs with a payroll of \$250 million. The average yearly mining individual payroll is \$53,000 compared to a statewide average of \$29,000. The impact of mining on New Mexico's economy includes \$982 million in direct economic gain, \$302 million in direct personal income gain, \$451 million in direct business income in-state, \$19 million in direct business income from other states, \$208 million in state and local government revenue and \$115 million in federal government revenue. The total impact of mining on New Mexico's economy is estimated at \$4.415 billion. Mr. Bowen then shared with the committee the economic impact of several specific mining operations.

New Mexico Rodeo Council

Debbie Romero, with the Department of Finance and Administration, is the administrative staff for the New Mexico Rodeo Council (Council). The Council was formed as a part of the governor's rodeo initiative, the purposes of which are to study how the state can support rodeo at the junior, high school, college and professional levels, promote and attract competitive rodeo events, and provide information to rodeo participants, fans and promoters. Ms. Romero reviewed who is on the council and noted that they are all volunteers who receive no mileage or per diem payments. Legislative appropriations in 2005 included \$1.5 million for facilities and programs, \$553,000 for Expo New Mexico for equipment and facility improvements related to the rodeo initiative, \$10 million for a new equestrian facility and \$8 million for local facilities, the Professional Rodeo Cowboys Association (PRCA) and program costs. Ms. Romero presented information regarding the status of expenditures of the rodeo initiative, including \$400,000 for facility improvements. The accomplishments of the rodeo initiative include: rodeo being recognized as an activity by the New Mexico Activities Association for public school students; development of a web site; the move to New Mexico of Turquoise Circuit Finals from Arizona; the emergence of New Mexico as a leader in advancing the sport of rodeo and developing up-and-coming talents; infrastructure support to local communities in order to develop and sustain rodeo events on their own; helping to support and grow a diversified number of events and contestants; and planning a new equestrian facility for the state.

The meeting was recessed by Representative Garcia at 2:30 p.m.

Friday, October 26

The meeting was reconvened by Representative Garcia on Friday, October 26, 2006, at 9:20 a.m. at the Mimbres Valley Learning Center in Deming.

Welcome

Deming Mayor Andres Silva summarized some of the highlights of Deming's economic development. He said that Border Foods will be shutting down the Las Cruces operation and transferring it to Deming. It is also moving its Dallas operation to Deming. He said that Proper Foods is another processing plant moving to Deming that will involve 50 to 75 employees. He said the driving force is Deming's proximity to the border, which explains also the strong presence of approximately 200 National Guard members there doing border patrol duty. He told the committee that the guard is in the process of completing a minibase in the Deming Industrial Park. Eventually, a total force of 400 troops will be billeted in Deming. He explained that obstacles to economic development include limited infrastructure and housing shortages. Deming has new subdivisions on the books, local builders are busy and builders are also coming from Las Cruces. It takes a month to a year to get a building permit in Las Cruces, but Deming issues them immediately, which gives Deming an advantage and fosters growth. Deming also has residents who commute to Lordsburg, Las Cruces and Arizona.

Questions and comments from the committee addressed:

- Border Foods history of moving to Deming and then to Dallas and then back again;
- the tax break provided for those companies by the legislature that then move to Texas;
- the potential effect of an increased minimum wage on Border Foods;
- the new coal-fired electric power plant;
- the potential for a solar electric power plant and the need for transmission lines;
- trouble with the solar plant;
- challenges to schools and water resources;
- transmission power lines; and
- the effect of the United States Border Patrol and National Guard on border crossings.

Chile Research and Market Development Assistance from NMSU

Charlie Marquez, lobbyist, Gene Baca, president of the New Mexico Chile Association, and Dino Cervantes, chile grower, were introduced. Mr. Marquez said he is the de facto lobbyist for food processors in the area and said that the minimum wage directly affects these processors. The panel then went on to explain how important the chile industry is to New Mexico, how significantly it has been affected by the growing importation of chile from other countries and how the industry is asking for a \$7 million appropriation for research and market development assistance from NMSU.

The panel said that it is working with staff at NMSU to get federal funding in the range of \$8 million to \$9 million. A total of \$15 million would be used for research. The panel said that New Mexico's chile industry cannot compete without assistance, and explained that the chile industry employs 5,000 full-time employees and 10,000 part-time employees. It adds \$400 million to the state's economy. These chile farms are mostly family farms. There are 12,000 acres under chile cultivation in southern New Mexico. The panel gave some details regarding the specific product breakdowns of chile crops among dry red, oleo resin, processed green, fresh green and cayenne mash. The panel explained that threats to New Mexico's chile producers come mostly from China, Peru and Mexico due to the reduced cost of labor in those countries. The labor cost in New Mexico is \$70.00 per day, which compares to \$2.00 per day in China per employee. Free trade has significantly damaged the industry in New Mexico. New Mexico's acreage in chile production is half what it was in 1992. During the same time period, imported chile has tripled. One grower lost \$1 million one year. Other problems include the lack of automation and false advertising, with New Mexico's competitors claiming their products are produced in New Mexico. The panel said that research into automating chile production and genetic improvements in the chile seed will help level the playing field and enable New Mexico growers to better compete with foreign growers. The panel requested the committee endorse an appropriation of \$7 million to NMSU.

Questions and comments addressed:

- how the minimum wage of \$6.75 will drive the chile industry out of New Mexico;
- language in minimum wage laws;
- work ethics;
- the need for more productivity;

- the governor's position and the labor unions' position;
- progress in development of an automated chile picker;
- water use efficiency improvements;
- tax credits;
- conservation planning;
- Sandia National Laboratories research on a destemming machine;
- the trademark issue with Chimayo chile;
- labor supply and consequences of the border fence and illegal documents;
- global trade and harvest cost; and
- the maturation period of chile.

Surface Owner's Protection Act

Bob Gallagher, executive director of the New Mexico Oil and Gas Association, explained to the committee that during the last session, there was an agreement over legislation to protect surface owners. He said that the oil and gas, ranching and agriculture industries are extremely vital to this state. He described the history of the industries' efforts to reach a compromise to ensure that exploration and production would continue while other user rights were protected. He said there was an agreement with the New Mexico Cattle Growers Association, the Environmental Law Center and the Oil and Gas Accountability Project. The agreement lasted through two House committee unanimous votes and a 59-1 passage on the floor of the House. He said the main sponsor of the committee substitute encouraged colleagues to vote for the bill. He explained that the compromise lasted through one Senate committee hearing, resulting in a unanimous vote in that committee. Then, Mr. Gallagher said the Cattle Growers Association, the Oil and Gas Accountability Project and the Environmental Law Center decided at the eleventh hour that they no longer wanted this piece of legislation to pass and got the Senate Judiciary Committee chair to kill the bill. He asked the committee to endorse the negotiated bill as it was passed by the House of Representatives last year. This legislation requires five days' notice to the land owner before nonsurface-disturbing activity and 30 days for surface-disturbing activity. During those 30 days, the industry must develop a large amount of information concerning the proposed operations and deliver that as well as an offer of compensation to the land owner. A financial surety or bond must be posted with the court if the operator and landowner cannot reach an agreement and before the driller can move onto the land. This ensures that damages to the land caused as a direct result of exploration activities will be paid. He explained that the law gives priority to the subsurface rights owner and the industry will not agree to any language that suggests payment for use of the land in addition to damages. The issue of the mineral estate being the dominant estate is a federal issue, not a state issue. Actual damages as a direct result of exploration actions are more than reasonable, but "diminished value" or "loss of earnings" are not. The industry should not have to agree to that or for any damages for "unforeseen future development".

Questions and comments included:

- a matrix showing the difference between the two bills being proposed;
- independent petroleum industry opposition; and

- Bebo Lee, representing New Mexico cattle growers, describing the incident on Otero Mesa that precipitated the breakdown in the agreement.

Access to Healthy Foods

Pam Roy, coordinator for the New Mexico Food and Agriculture Council, and Craig Mapel, New Mexico Department of Agriculture, presented the committee with seven requests for legislative endorsement:

- \$1,440,000 for a healthy kids/healthy economy program to provide fresh fruit and vegetables to 200,000 students statewide;
- \$250,000 to provide 5,000 low-income senior citizens with food coupons for fresh, locally grown fruits and vegetables at farmers' markets;
- \$250,000 to develop programs and promote farmers' markets;
- \$600,000 to deliver 30 million pounds of fresh produce to 240,000 New Mexicans;
- \$500,000 to purchase New Mexico-produced foods for kids' backpacks in 60 schools to benefit 3,500 children;
- \$180,000 for a senior citizens supplemental food stamp program;
- \$4,200,000 for a universal school breakfast program; and
- a memorial to focus on access to healthy affordable food in rural and underserved areas of the state.

Questions and discussion addressed:

- the rationale for the cost estimates;
- why these appropriation requests are not in base budgets;
- the lack of a state school lunch program;
- obstacles to healthy choices in school;
- the average cost of school lunches for students;
- the role of the Human Services Department;
- the quality of the United States Department of Agriculture program and its history; and
- unhealthy aspects of the federal surplus "food nutrition" program.

The chair instructed members to bring their requests for bills to be endorsed by the committee to her prior to the next committee meeting.

The committee adjourned at 11:58 a.m.